



**Africa-Asia Conclave on Loss and Damage Due to Climate Change**  
Instituting a global agricultural insurance programme as a risk-sharing and transfer  
mechanism for developing countries

August 25-26, 2016 • Nairobi, Kenya

## Background and context

# Need for a globally supported agricultural insurance mechanism for the developing countries

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# Collective INDCs implications 2025/2030

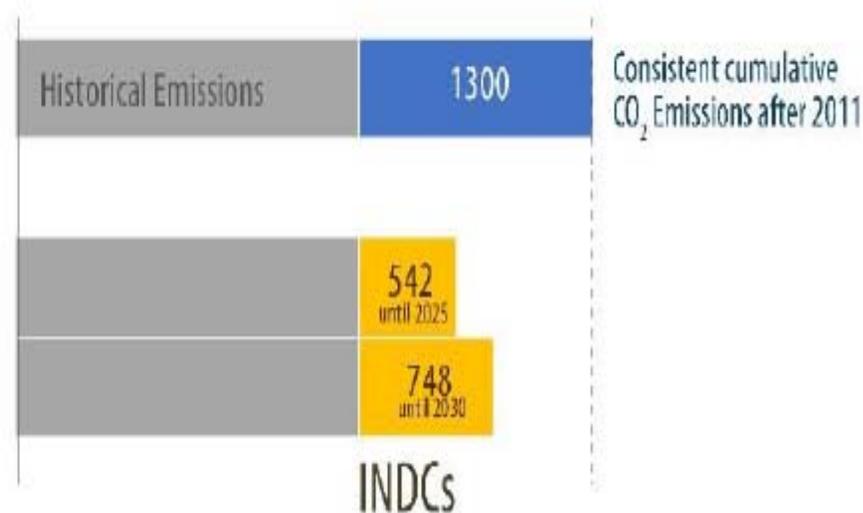


## Cumulative CO<sub>2</sub> emissions

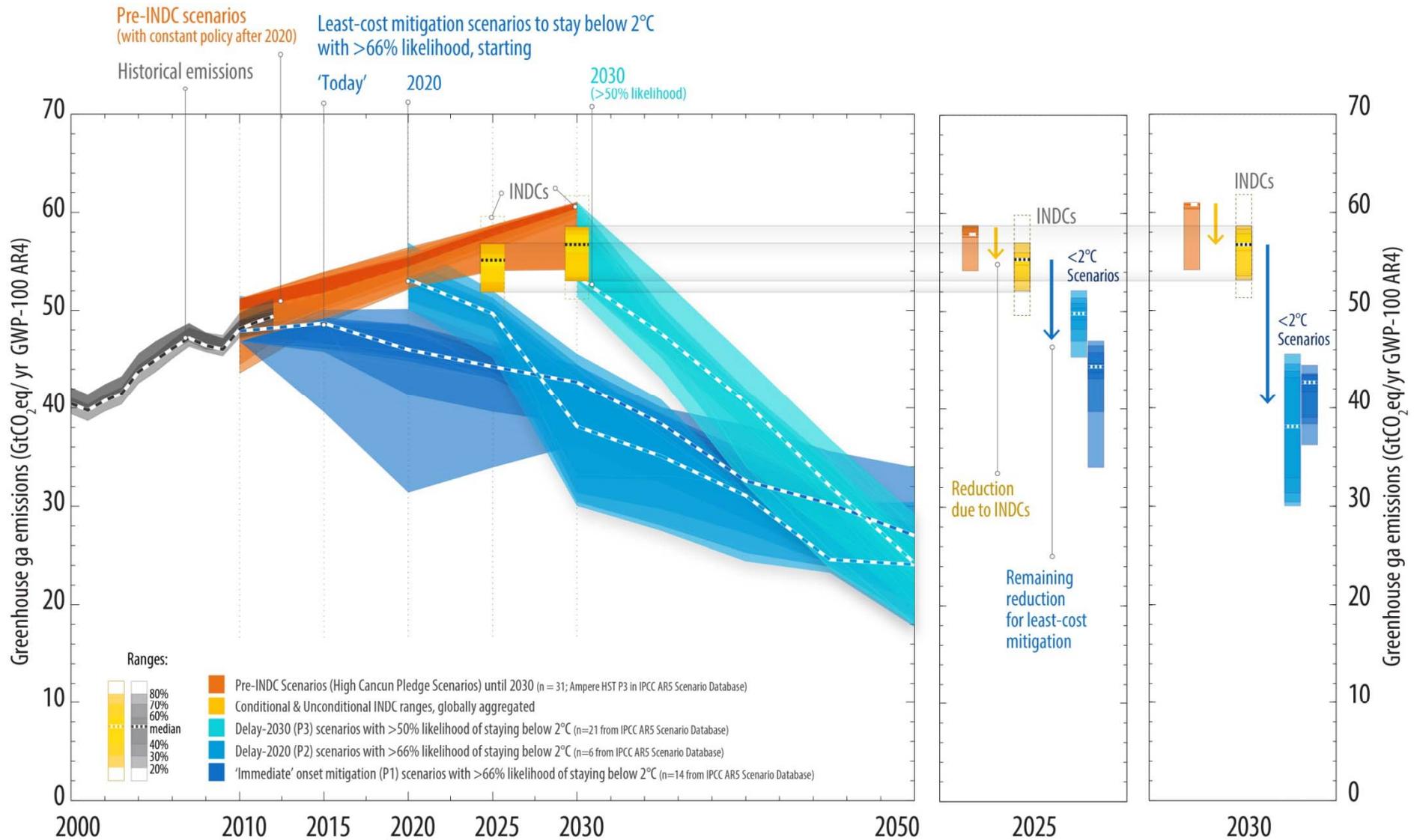
Staying below 2 °C with 66% probability



Staying below 2 °C with 50% probability



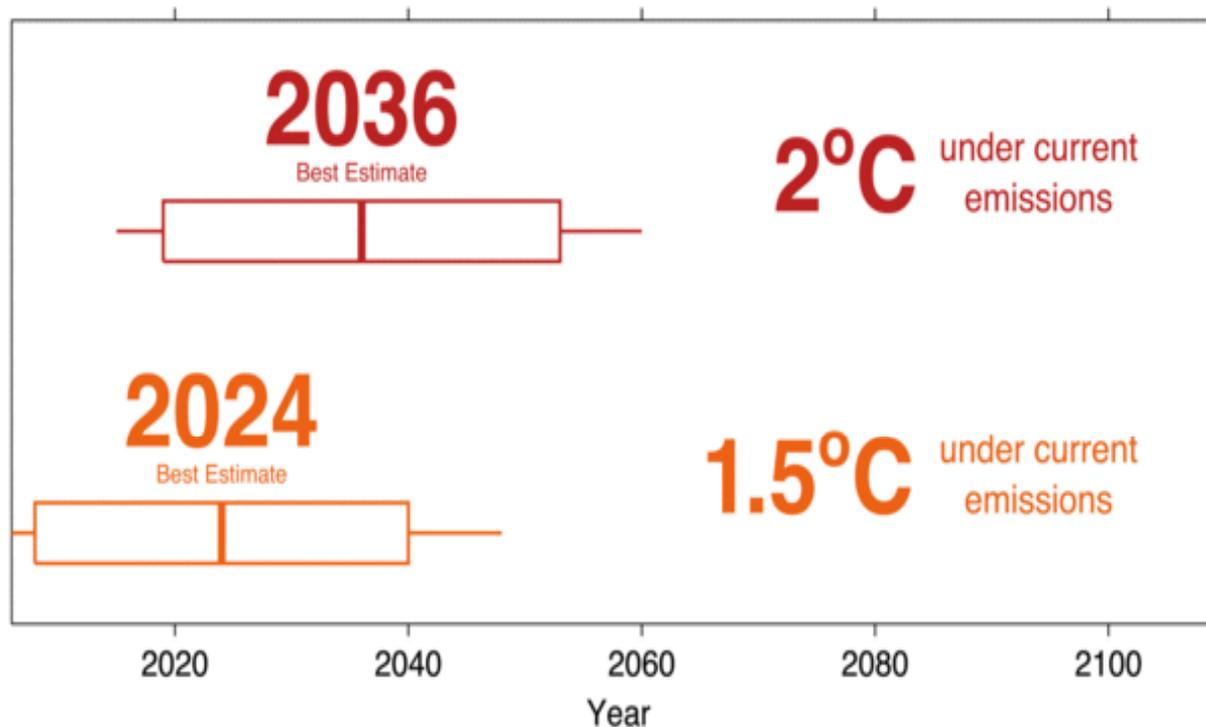
# Collective INDCs implications 2025/2030



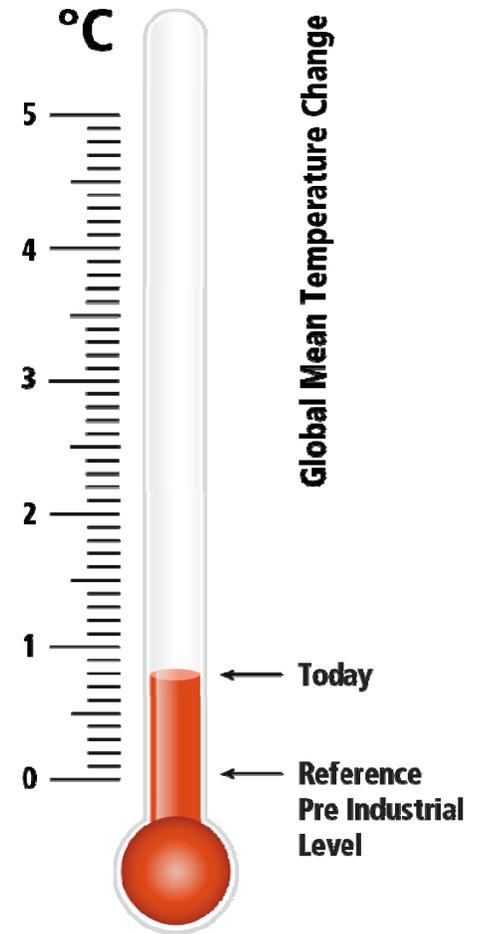
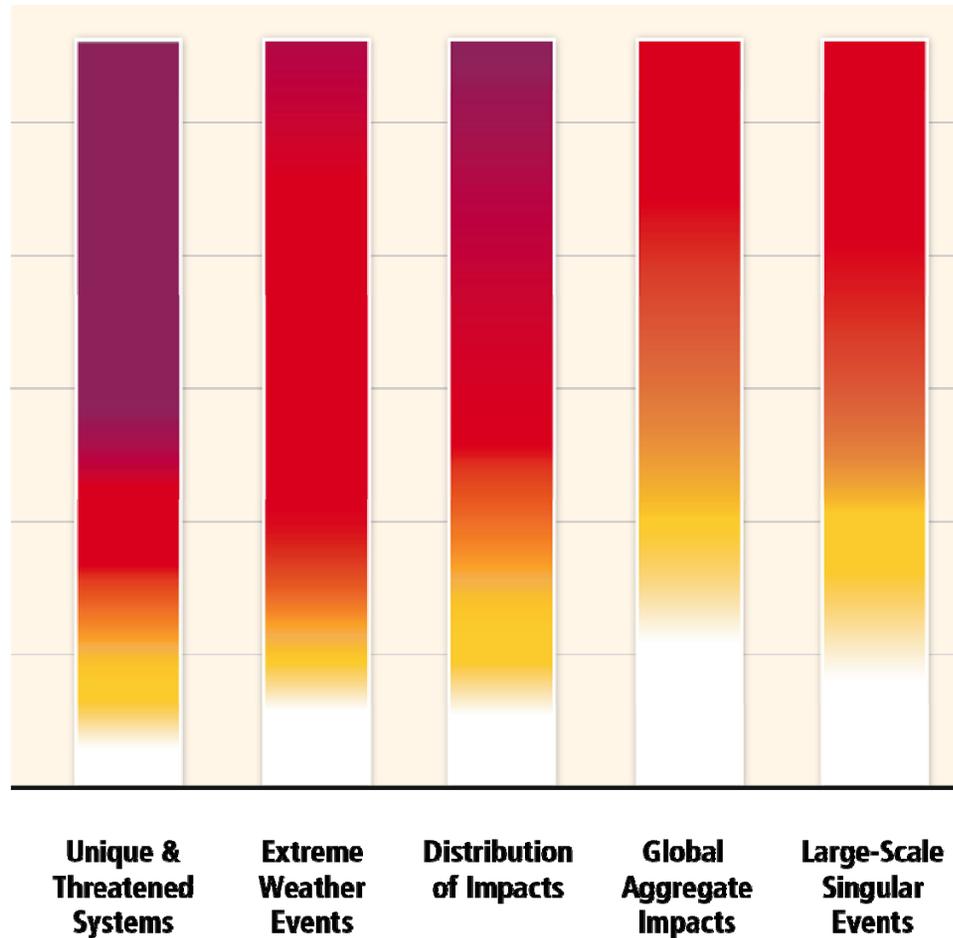
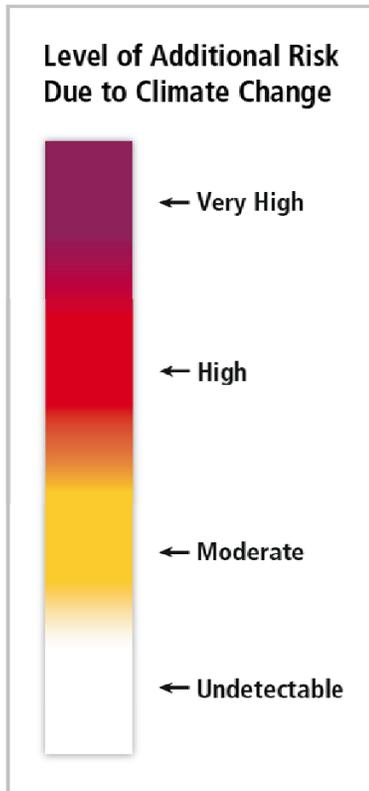
# Mitigation efforts not sufficient: Towards a 3°C world



When will global warming reach 1.5°C and 2°C?



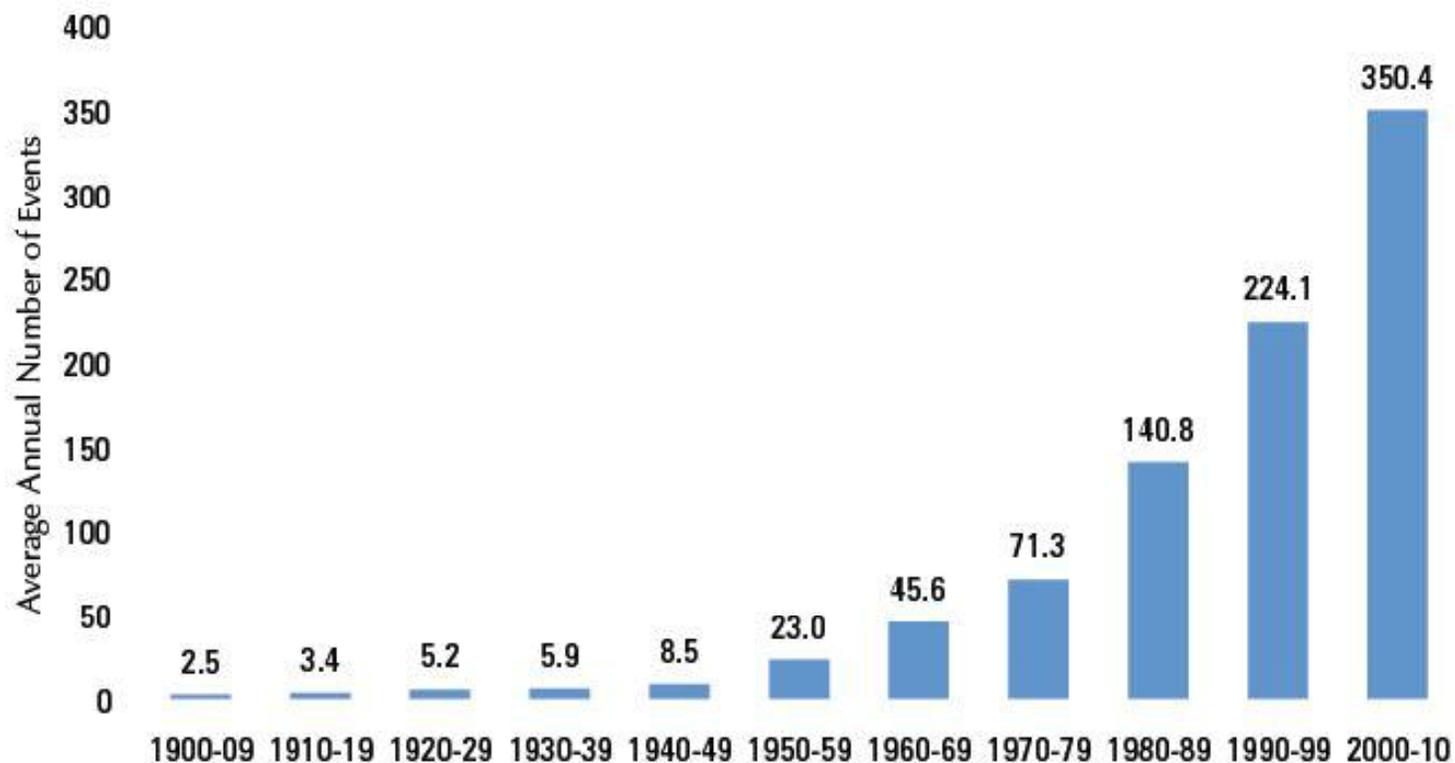
# Severe, pervasive, and irreversible impacts



# Increasing frequency of extreme weather events



Figure 1: Average Number of Extreme Weather Events per Year by Decade, 1900–2010



Note: For the last period, 2000–2010, the annual number of events is based on an 11-year average. Statistics from the last “decade”—2000–2010—and the data for 2010 and perhaps even 2009 must necessarily be considered preliminary at this writing (March 2011).

Source: EM-DAT (2011).

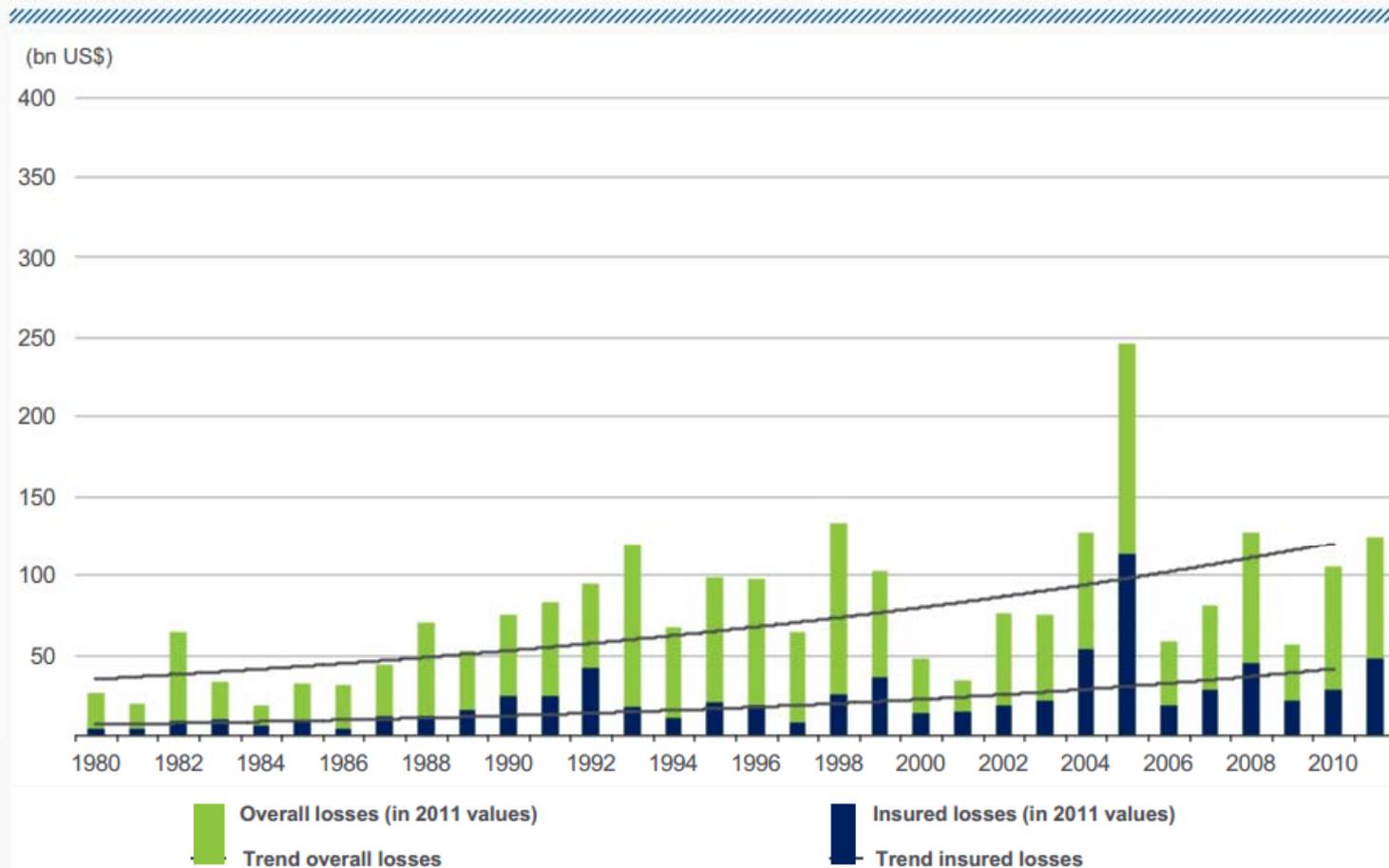
# Losses due to extreme weather events



## Extreme weather events

Munich RE 

Losses from weather catastrophes worldwide 1980–2011 (2011 Jan. to Sept.)



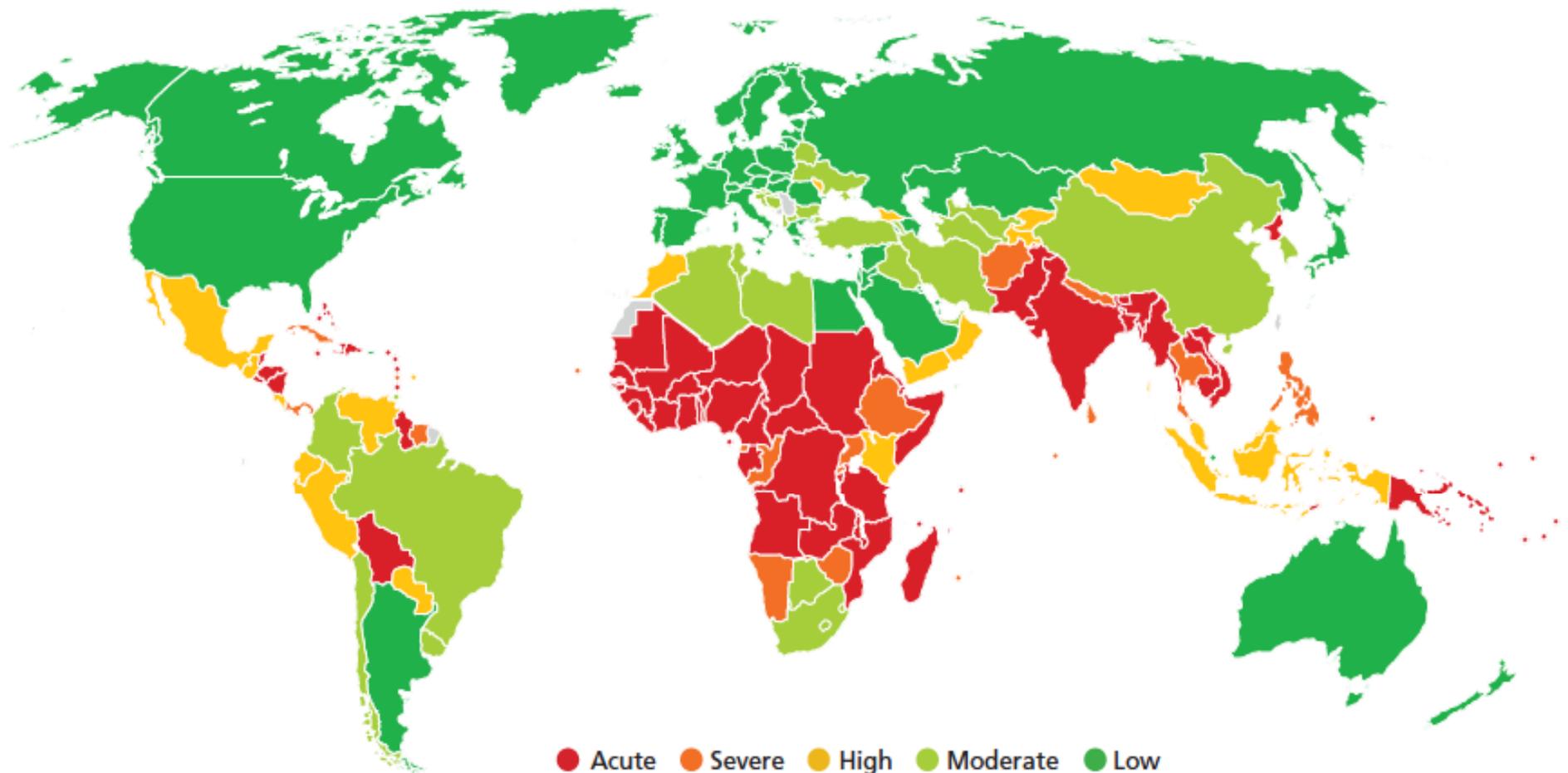
# Poor countries and poor communities suffered the most

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- Of the ten most affected countries due to extreme weather events (1994–2013), nine were developing countries (*EM-DAT*)
- Between 2001 and 2006 low income countries lost about 0.3% of annual GDP due to extreme events; developed nations lost about 0.1%. (*SREX*)
- Studies establish that climate related risks are unevenly distributed – poor countries and poor in poor countries suffer proportionally higher; **population dependent on the agriculture sector is worst affected**

# Multi-dimensional vulnerability to climate change



# Dealing with vulnerability in agriculture sector

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- ❖ Addressing vulnerability and building resilience through various adaptation measures
  - ❖ Changes/ improvements in cropping, livestock, land & water management
  - ❖ Introduction of climate risk assessment & management tools like weather data, early warning systems etc.
  - ❖ Agriculture value addition & improved market access,
  - ❖ Increase income of farmers through diversification
  - ❖ Reducing number of people employed in agriculture etc.
- ❖ Cost of adaptation US\$ 140-300 billion by 2030; US\$ 280-500 billion annually by 2050 (UNEP). ***Most will be borne by the developing countries themselves***

# Beyond Adaptation



- ❖ IPCC AR5: **Adaptation has limits**, some posed by magnitude & rate of climate change, and others related to financial, institutional, technological, cultural & cognitive barriers.
- ❖ The U.S. National Assessment (2001), maintains that adaptation will not necessarily make the aggregate impacts of climate change negligible or beneficial, nor can it be assumed that all available adaptation measures will actually be taken.
- ❖ **Internationally**, increasing demand to operationalize the loss & damage mechanism under UNFCCC
- ❖ **Nationally**, growing demand in most developing countries to put in place mechanism to build safety nets beyond adaptation in agriculture sector – **Crop & livestock insurance**

# Huge gap in agriculture insurance penetration

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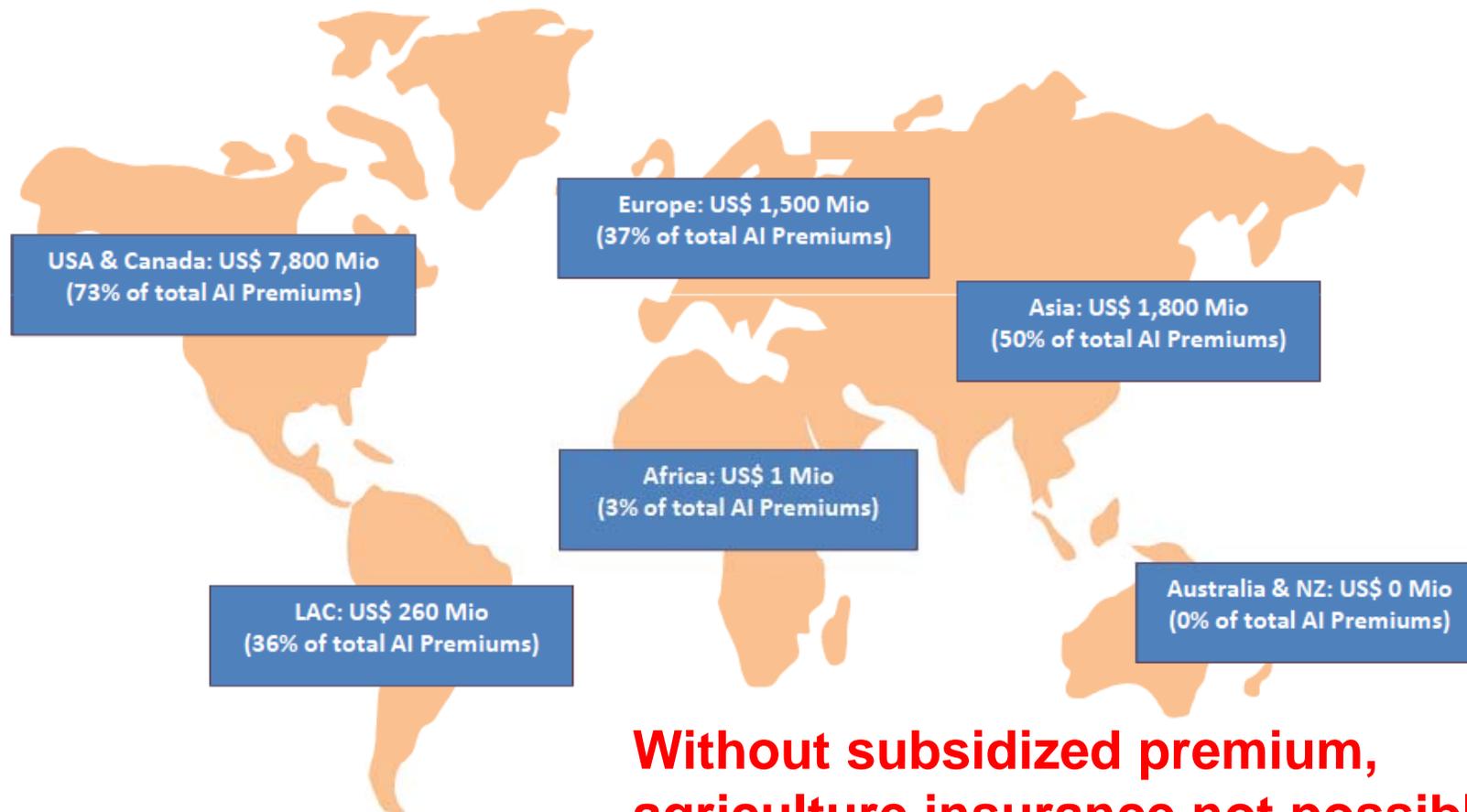


- ❖ More than 100 countries have some form of agriculture insurance – commercial or pilot
- ❖ Agriculture insurance is widely used only in developed countries and some emerging economies.
- ❖ Excluding China & Japan, just 5.5% of global agriculture insurance premiums come from Asia & Africa
- ❖ Only about 100 million people in developing countries are covered by some sort of insurance against extreme weather events.

# Agriculture insurance unaffordable to most farmers



## Government support for agricultural insurance

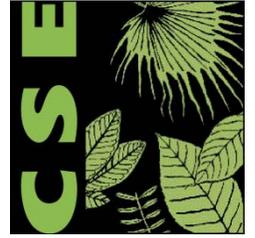


**Without subsidized premium,  
agriculture insurance not possible in  
developing countries**

Source: Mahul and Stutley (2010)

# Loss & Damage Mechanism

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- ❖ Loss is defined as negative impacts in relation to which reparation or restoration is impossible (desertification, loss of land due to sea level rise); Damage is negative impacts in relation to which reparation or restoration is possible (loss of crop, livestock, housing, infrastructure etc.).
- ❖ It took more than two decades before loss & damage was recognized as an important and separate mechanism to deal with climate change under UNFCCC.

# Loss & Damage at Climate Negotiations

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- ❖ Developing countries have pushed hard since 1991 for loss and damage to be recognized as a critical issue within UNFCCC.
- ❖ 1991: AOSIS proposal for an “insurance mechanism” to compensate for loss & damage due to sea level rise – rejected by the developed countries and not included in UNFCCC
- ❖ 2007: Bali Action Plan called for development of risk management and risk reduction strategies, including risk sharing and transfer mechanism such as insurance to address loss & damage under AWG-LCA (*Ad Hoc Working Group on Long-term Cooperative Action*).

# Loss & Damage at Climate Negotiations

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- ❖ 2008: AOSIS multi-window mechanism to address loss & damage:
  - ❖ Insurance for rapid onset events like flood, draught, hailstorm
  - ❖ Compensation or rehabilitation for slow onset events like sea level rise, desertification etc.
  - ❖ Risk assessment & management for preventive action.
  - ❖ Not accepted under Copenhagen Accord in 2009
- ❖ Cancun Agreements (2010), recognized the need to strengthen international cooperation and expertise to understand and reduce loss & damage. It decided to establish a 2 year work programme which included holding regular workshops & expert meetings

# Loss & Damage at Climate Negotiations

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- ❖ Doha Summit (2012) decided that loss & damage should be addressed under UNFCCC.
- ❖ The Warsaw Summit (2013) agreed to an international mechanism to address loss and damage, referred to as **Warsaw International Mechanism for Loss and Damage (WIM)**. It was instituted under the Cancun Adaptation Framework and not as an independent mechanism.
- ❖ An Executive Committee (ExCom) of the Mechanism to guide its implementation was also established.

# Warsaw International Mechanism (WIM)



## ❖ Objectives

1. Enhancing knowledge and understanding of comprehensive risk management approaches, including those to address slow onset events;
2. Strengthening dialogue, coordination, coherence and synergies among different stakeholders;
3. Enhancing the mobilization of action and means of implementation, including the provision of financial support and technical assistance.

❖ Till now three meetings have been held under ExCom. Fourth meeting would be held in September 2016.

❖ ExCom has done discussions and deliberations around objectives 1 and 2; no progress on 3

# Loss and Damage under Paris Agreement (2015)

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- ❖ Loss and damage is dealt as a separate mechanism under the Paris Agreement
- ❖ But the fundamentals of loss & damage removed: **“loss and damage does not involve or provide a basis for any liability or compensation”**.
- ❖ The focus is now on collective support and solidarity of nations in addressing loss and damage; it is not confined to developed countries alone.

# Loss and Damage under Paris Agreement (2015)

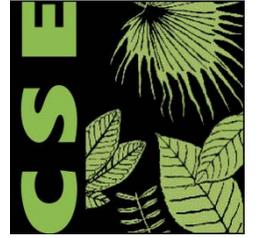
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- ❖ Certain areas are identified for support and action within Paris Agreement:
  - a) Early warning systems; b) Emergency preparedness; c) Slow-onset events; d) Events involving irreversible and permanent loss & damage; e) Comprehensive risk assessment and management; f) Risk insurance facilities; g) Non-economic losses; h) Resilience of communities, livelihoods and ecosystems
  
- ❖ Requests ExCom of WIM to establish a clearinghouse for risk transfer that serves as a **repository for information on insurance and risk transfer**, in order to facilitate the efforts of Parties to develop and implement comprehensive risk management strategies;

# Loss & Damage post Paris

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- ❖ At CoP-22 in Marrakesh, there would be a review of the 2-year work plan of Warsaw International Mechanism and **a 5-year work plan would be devised in light of the Paris Agreement.**
- ❖ **What should WIM do for the next 5 years?**

# Converging trends & an opportunity

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- ❖ In developing countries, agriculture insurance recognized as an important risk management tool to deal with weather extremes
- ❖ Developed countries too recognize climate risk insurance as a important part of their support to build resilience in developing countries -- *G7 Climate Risk Insurance to support 400 million people in developing countries*
- ❖ At UNFCCC, increasing emphasis on insurance as a risk sharing & transfer mechanism under Loss & damage.
- ❖ **At CoP-22 in Marrakesh, we need to decide on what to do with loss & damage mechanism.**

# A globally supported agriculture insurance mechanism

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- ❖ Agreeing for a globally supported & collaborative agriculture insurance mechanism for the developing countries seems most opportune for WIM at Marrakesh.
- ❖ For the next 5 years, WIM should work towards -- piloting, gaining and collating experiences, mobilizing and scaling up resources – instituting an Universal (**fair, affordable, accountable and effective**) **Agriculture Insurance for developing countries.**
- ❖ Avoid billions of people from falling into poverty, save million of lives and build resilience in most vulnerable communities.
- ❖ **Universal insurance over and above adaptation and not as a one stop solution**